1975 ANNUAL REPORT

Walgreens
...since the year '01

AN AMERICAN INSTITUTION

A Salute to Investors in America:

Introducing PHYLLIS SCHUMACHER, of Evanston, Illinois, owner of 50 shares of Walgreen Company stock . . .

In honoring an individual shareowner, we salute our 19,990 Walgreen shareowners whose investments—small and large—share in our progress and demonstrate your faith in the future of Walgreen Company and American free enterprise. You, and millions of investors like you, fuel the engines of our nation's productivity.

. . . a phrase we usually address to our Walgreen customers seems most appropriate for our shareowners, as well:

We depend on You... You can depend on Us

THE WALGREEN COMPANY TODAY

RETAILING: A diversified merchandiser of a broad line of consumer products, operating in 32 states and Puerto Rico, the Company's principal retail units are 633 *Walgreen Drug Stores*, the nation's major drug chain, and a regional (southwest) chain of 27 *Globe Department Stores*. Prescription pharmacies are integral to these operations.

See pages 20, 21, 22

FOOD SERVICE: 339 restaurants—291 in or adjacent to Walgreen stores, 26 in Globe stores, 22 individually located.

see page 21

FRANCHISING: Over 1800 independently-owned Walgreen Agency Drug Stores franchised to sell Walgreen Laboratory brands.

see page 22

MANUFACTURING: Chicago and Kalamazoo, Mich., laboratories produce over 500 health, beauty, household products.

see page 23

TRAVEL AGENCY: International Travel Service, Chicago. Subsidiary acquired 1971; group tour specialist.

see page 24

PHOTO PROCESSING: Chicago, Houston, Denver Studios serve over 70% of Walgreen and Globe stores.

see page 24

AUXILIARY OPERATIONS: Physical distribution centers, plastic container manufacturing plant, sign shop, printing facilities.

SANBORNS OF MEXICO: Company has substantial interest in this Mexican retailer-manufacturer-wholesaler. 19 retail units in Mexico City, Acapulco, Puebla, Monterrey.

see page 24

Employees, 29,000. *Shareowners, 19,990.*

1975... A BRIEF REVIEW BY QUARTERS

SUMMARY OF QUARTERLY RESULTS, 1975

3 MONTHS ENDED:	SALES (thousands)	NET EARNINGS (thousands)	per share
Nov. 30, '74	$ 246,767	$1,321	$ .20
Feb. 28, '75	293,836	4,540	.69
May 31, '75	266,120	1,114	.17
Aug. 31, '75	272,421	2,874	.43
Fiscal 1975	**$1,079,144**	**$9,849**	**$1.49**

DIVIDEND AND MARKET HISTORY, 1975-1974

3 MONTHS ENDED:	DIVIDENDS PAID per share 1975	1974	COMMON STOCK PRICES Fiscal 1975 High	Low	Year Earlier High	Low
Nov. 30	$ .25	$ .25	$11\frac{7}{8}$	$9\frac{3}{4}$	$17\frac{7}{8}$	$14\frac{1}{8}$
Feb. 28	.25	.25	$12\frac{7}{8}$	$9\frac{3}{8}$	17	$13\frac{7}{8}$
May 31	.25	.25	$12\frac{5}{8}$	$11\frac{1}{4}$	$15\frac{3}{4}$	$13\frac{1}{2}$
Aug. 31	.25	.25	13	$11\frac{1}{2}$	$14\frac{3}{8}$	$10\frac{1}{4}$
Fiscal Yrs.	**$1.00**	**$1.00**	**13**	**$9\frac{3}{8}$**	**$17\frac{7}{8}$**	**$10\frac{1}{4}$**

Note: 1975 Quarterly Results above are stated per new fiscal year, started September 1, ended August 31.

In effect for 1975...NEW FISCAL YEAR...Sept. 1 - Aug. 31

Your Board of Directors elected to realign our corporate fiscal year from its former October 1 starting point to a September 1 starting date, August 31 ending date, effective for the 1975 fiscal year. *The advantages:*

1. Easter, a high volume period, now consistently falls within the 3rd Quarter (instead of 2nd or 3rd), providing more valid year-to-year comparison.

2. Apportioning the heavy holiday-business months of November and December into different quarters results in more balanced volume and profit per quarter.

3. December, our highest-volume month, becomes the first month of the 2nd Quarter, permitting more time to assess results for our quarterly report.

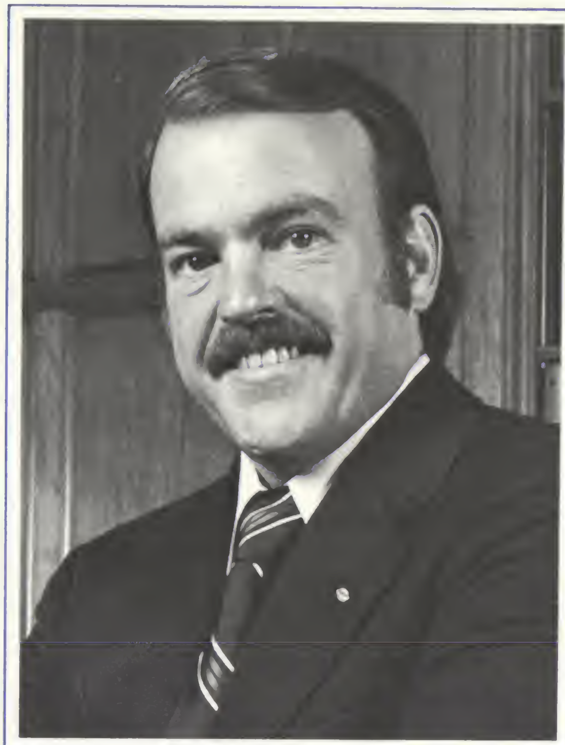
This effects *no change in Dividend Record or Payment Dates*. Payment dates continue to be in March, June, September, December.

Shareowners' Annual Meeting date is also unchanged. It remains the "2nd Wednesday in January". (1976 date: January 14)

Please Note: **Throughout the balance of this Annual Report, unless otherwise noted, the 1975 fiscal year reflects twelve months ended August 31; previous fiscal years reflect twelve months ended September 30.**

THE PRESIDENT'S REPORT

November 28, 1975



In 1975, your company increased sales 8.3% to another all-time high, improved earnings 30.1%, and moved forward a number of programs designed to further accelerate our growth rate.

Sales topped the billion-dollar level for the first time this fiscal year, reaching $1,079,143,636, to surpass 1974's record total of $996,616,262.

Earnings, LIFO-adjusted, rose to $9,848,507, or $1.49 per share, compared to $7,569,285, or $1.15 per share a year ago. Earnings before the LIFO adjustment recorded a more modest advance. However, in both 1975 and 1974, except for our decision to adopt the LIFO accounting method, profits would have exceeded all past records.

1975's profit growth was achieved despite expenses necessary to a major expansion of facilities. The following projects, culminating long-term planning, were all completed in the past year:

192,000 sq. ft. Annex to our Berkeley, Illinois, Physical Distribution Center, adding 72% greater capacity. It already has contributed toward this department's substantial overall reduction of distribution costs.

52,000 sq. ft. Kalamazoo, Michigan, Drugs & Cosmetics Manufacturing Laboratory. It is the first stage of a plant complex currently projected to total over 250,000 sq. ft. by 1977, which would then double our product manufacturing capacity.

106,000 sq. ft. Plastic Container Plant, Bedford Park, Illinois, replacing the previous Chicago in-Laboratory facilities. It is a round-the-clock, 7-days-a-week operation, geared to economically produce 95% of our own plastic container needs, as well as to accommodate profitable and growing outside demand, which now represents 25% of production. Total output is currently at an annual rate of 30 million units.

24,000 sq. ft. Photo Processing Studio, an ultra-modern automated unit replacing our original Chicago Studio. Capacity is more than doubled, now enabling us to service additional markets.

255,000 sq. ft. General Offices, Deerfield, Illinois, occupied in late summer. This new corporate headquarters adds greatly to our efficiency, and also consolidates several previously separate offices with resultant work and economy benefits.

In times of high-cost credit, a lengthy recital of capital outlays can be as unnerving to financial people as it is exciting to operating personnel. So let me note that our debt position is improved, and our interest expense on general debt is moderately down, not up. Our inventory control program has helped. But the important factor is our strengthened ability to fund expenditures via the increased cash flow resulting from LIFO accounting.

It is gratifying to have this major expansion of support systems accomplished, and our concentration now is on obtaining fast recovery of expenditures for plants and equipment by achieving full productivity from each unit. The new facilities should serve our foreseeable needs for the next several years, so capital spending for some time will be basically limited to new stores.

Retail Divisions—Results and Outlook

Walgreen Drug Stores: This recession-resistant division posted a 10.8% gain in sales, accounted for 77.4% of total company volume, and also improved gross profits to deliver the major proportion of corporate earnings. That performance was accomplished with record volume backed by steady operating cost ratios, progress in shrinkage control, and increased profit margins. Now, with the economic outlook brightened for 1976, we look for strong further gains ahead.

Our late-1974 acquisition of 29 drug stores in Florida (from a subsidiary of Eckerd of Erie, Pa.) is rapidly developing toward its expected potential. We closed two of these stores, and the remaining 27 are now producing sales gains 30% to 35% beyond our overall growth pace.

29 new drug stores were opened in 1975, the great majority added to our strongest markets, while 11 were closed, for an increase in drug store count to 633. 26 more openings are scheduled for 1976.

Our number one goal continues to be greater profitability from each dollar of volume. Our still-low net profit margin is an open opportunity; the leverage is such that even limited margin progress will translate into major profit gains. We are addressing this challenge with intensified pressure on operating efficiencies, and further broadening and emphasis of higher-margin merchandise.

Globe Department Stores: Reflecting the national economic upturn in the latter months of our fiscal year, this division has begun to regain the volume and gross margins needed to develop normal profit levels. The combination of Globe's established market acceptance and the visibly continuing trend to greater consumer confidence, promises real improvement in this division's performance. We look for Christmas '75 to complete the turnaround at Globe, as customers expand their purchasing of appliances and other higher-ticket merchandise.

Two new Globe stores, earlier-planned, opened in Houston and Brownsville, Texas, to bring the year-end total to 27. Additionally, a new fiscal 1976 unit opened last month in Tucson, Arizona, solidifying Globe's market position there. Further expansion will be under study as the division again generates a fully growth-supportive rate of earnings.

Food Services: Company income from our restaurant operations slowed in the first half, despite a volume increase, as customers traded down to lower-price meals while operating costs continued high. But recovery in the second half was appreciable. Customer count, volume, and gross profits showed new strength in the third quarter, and that upward momentum increased in the fourth quarter. It adds up to a confident outlook for the new year.

Of our 339 restaurants, 317 are store-connected—291 Walgreen and 26 Globe—and 22 are separately located. 13 units were opened in 1975, 15 closed. 17 new units are programmed for 1976.

Franchising and Manufacturing

The Agency Division: Walgreen Product sales to Agents declined in 1975 as many smaller drug store owners focused on inventory reductions as a recession defense. Now we look ahead to mounting orders as the economic recovery broadens to reach and benefit the small merchant and our franchisees begin to replenish depleted inventories. Moderating the downturn meanwhile, was this division's continuing success in enrolling and developing larger, higher-volume independents, a growth-potential course that is being aggressively pursued.

Manufacturing: Production and sales of Walgreen brands continued up in 1975, in response to growing consumer demand in our Walgreen stores. Income tapered slightly as a result of higher operating and material costs. Now, for 1976, our production potential is increased: The first stage of our Kalamazoo Laboratory is on stream and will have full impact; the new Plastic Container Plant should contribute added volume and profit.

* * * * * * *

I spoke earlier of productivity. It is the one real answer to today's economic and competitive factors. Store productivity, plant productivity, people productivity. To attain it and intensify it, we have been surely and deeply restructuring our corporate operations to more effectively meet our company objectives—to maximize return on the shareowner's investment dollar; to deliver a higher standard of value for the customer's purchasing dollar.

With this restructuring, we are developing stronger central controls; greater integration of related operations; further stress on divisional and departmental profit center responsibility; added emphasis on employee development. Significant executive-level changes have also been effected:

Robert L. Schmitt, previously Store Operations Vice President, was named Executive Vice President, with broadened duties, retaining general administrative responsibility for our Food Service and Globe divisions, adding Physical Resources and Marketing Research. *Fred F. Canning,* formerly Marketing Vice President, is now Vice President of a new, wholly-integrated Drug Store Division, comprising both Drug Store Operations and the Marketing group of Advertising, Merchandising, Purchasing, Physical Distribution. In recent months, we welcomed a new corporate Vice President of Physical Resources, *Norman B. Krone,* and a new divisional president, *Clayton C. Burkstrand,* for our Globe operation. And, of key significance, 1975 saw the continuing development of a strong, young, new-generation store supervision group.

Our expectation for 1976 is for growth in all areas of operation. This outlook, of course, would be greatly enhanced by further national economic recovery. Also, earnings would again be benefited by continuation of a reduced inflation rate.

Reporting today that all three retailing divisions are on track and currently producing record sales is undeniably conducive to high optimism for 1976. That optimism, however, must be tempered with concern about inflation. A retailing business is especially dependent upon consumer confidence, and a return to double digit inflation could soon weaken that still-tentative confidence.

It is to be fervently hoped that management and labor—*and* government—act responsibly to keep inflation under control. We of Walgreens intend to answer the threat with productivity. I can promise —because I know the efficiency of our systems, the ability of our management, and the *spirit* of our Walgreen people—that this company is going to give America a terrific dollar's worth in 1976. And that should make it a fine year for Walgreen shareowners.

Sincerely,

C. R. Walgreen III

President

LIFO...a review:

We believe LIFO helps neutralize the influence of inflation in our financial reporting . . . to you, as well as to the government. We also believe it is sounder money management in time of inflation. Here is why:

Prior to fiscal year 1974, our accounting method was *"FIFO"*, the *"first-in, first-out"* system of valuing year-end inventory. Under FIFO, the year's *earlier* costs of inventory acquisition are charged to cost of goods sold. In a time of inflation, that is usually the *lower* cost; consequently, reported profits are maximized.

Our present accounting method, *"LIFO"*, or *"last-in, first-out"*, works in the opposite way. It charges more *recent* costs of inventory acquisition against the cost of goods sold. In an inflationary period, therefore, LIFO matches the year's *higher* costs of goods versus sales, and so produces considerably lower recorded profits and consequently lower income tax liability.

Now, LIFO or FIFO, the same money goes into the registers. What happens to it? For brevity, let's oversimplify, again assuming an inflationary economy:

FIFO: More of that money goes into the profit column, so more goes to taxes. And then, with new inventories costing more and other expenses rising, the cash that went out for tax on that extra profit isn't there to help pay new higher costs. Each inflation year can erode more of a firm's financial resources.

LIFO: Less goes in the profit column, less goes out for taxes, more stays *in* the company, *in* the cash flow . . . to pay for higher-cost goods and rising costs of operation; to more reliably fund dividend payments to shareowners; to pay more toward capital expansion costs and thereby reduce the need for costly borrowing. We think LIFO makes good sense for Walgreen Co.

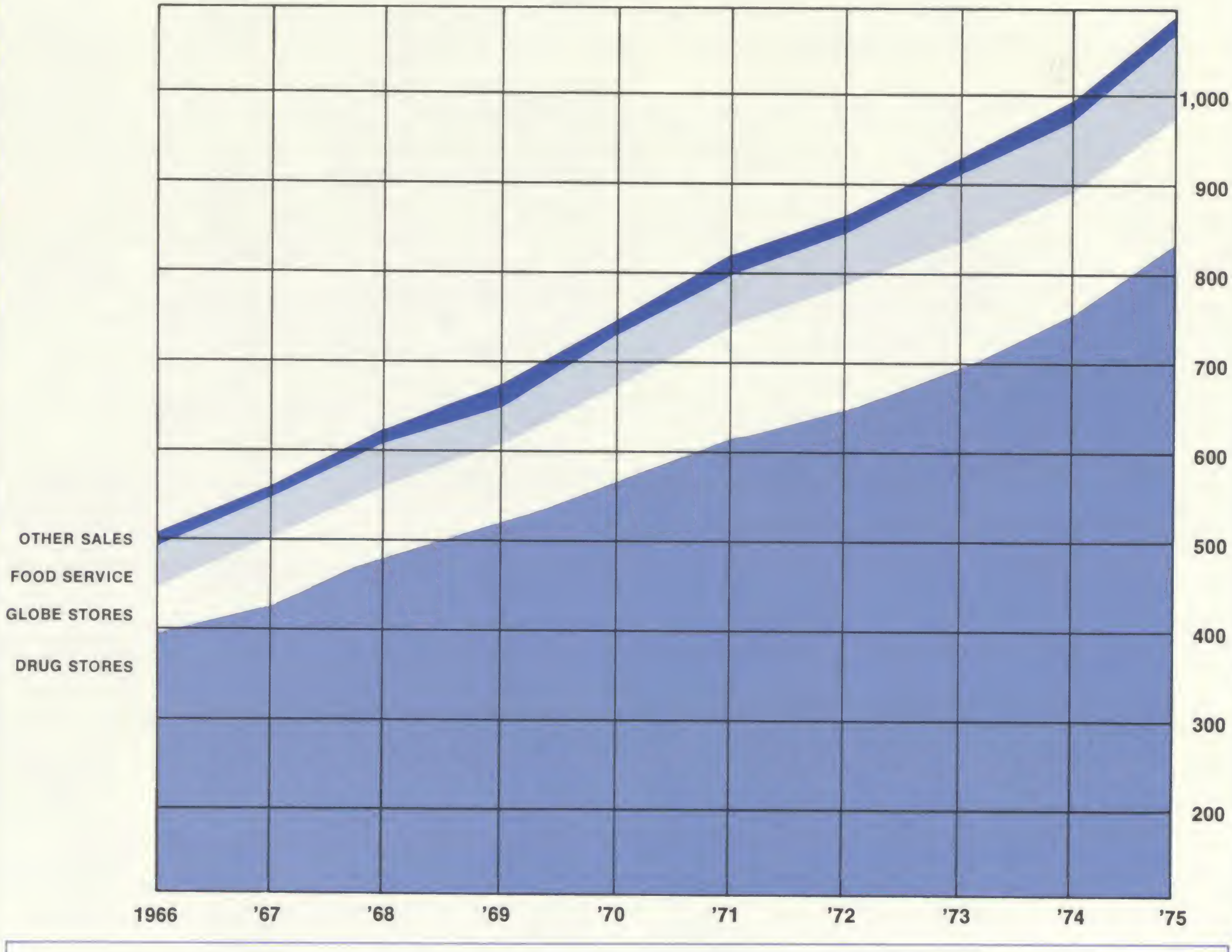
Fiscal Year

RETAIL UNIT TOTALS:

At August 31, 1975:	Units Opened 1975	Units Closed 1975	Total Units 1975	Openings Scheduled For 1976
Walgreen Drug Stores	29	11	633	26
Globe Dept. Stores	2	—	27	1
Restaurants, In-Store	12	8	317	6
Restaurants, Separate	1	7	22	11

FINANCIAL REPORT

CORPORATE SALES—10 YEARS
(Millions of Dollars)



5-Year Average
Estimated
SALES BY PRODUCT CLASSES:

Product Class	*Percentage:*	Product Class	*Percentage:*
Prescription Service	12%	General Merchandise*	35%
Proprietary Drugs*	13%	Liquors, Beverages	12%
Cosmetics, Toiletries*	12%	Tobacco Products*	8%
Food Service	8%		

*Estimates based, in part, on periodic samplings of about 15% of the Company's outlets.

WALGREEN CO.
10-YEAR SUMMARY OF OPERATIONS

(all amounts in thousands, except per-share data and unit totals)

FISCAL YEAR (1)	1975	1974	1973	1972	1971	1970	1969
NET SALES:							
Drug stores	$ 835,349	$ 753,687	$ 696,153	$ 646,420	$ 610,212	$ 557,562	$ 512,817
Globe stores	141,555	143,456	141,443	133,653	128,447	112,201	91,988
All food units	79,316	75,542	71,926	66,090	61,495	57,936	52,592
Other sales	22,924	23,931	21,377	17,171	17,333	15,893	15,489
Total net sales	$ 1,079,144	$ 996,616	$ 930,899	$ 863,334	$ 817,487	$ 743,592	$ 672,886
COSTS AND DEDUCTIONS:							
Cost of sales (2)	792,755	734,372	673,419	626,526	592,787	538,826	485,086
Selling, occupancy, administration	264,567	243,765	227,209	211,784	201,119	183,727	161,793
Contribution to Profit-Sharing	2,602	2,689	2,664	2,341	2,185	1,915	2,605
Interest expense, net:							
General company obligations	3,117	3,466	2,543	2,783	2,779	2,742	1,256
Real estate obligations	1,195	547	393	393	408	423	438
EARNINGS BEFORE TAXES (2)	$ 14,908	$ 11,777	$ 24,671	$ 19,507	$ 18,209	$ 15,959	$ 21,708
Income taxes	5,059	4,208	10,943	8,121	7,608	6,557	9,595
NET EARNINGS (2)	$ 9,849	$ 7,569	$ 13,728	$ 11,386	$ 10,601	$ 9,402	$ 12,113
NET EARNINGS PER SHARE (2)(3):							
Assuming no dilution	$ 1.49	$ 1.15	$ 2.11	$ 1.77	$ 1.65	$ 1.48	$ 1.91
Assuming full dilution(4)	$ 1.40	$ 1.11	$ 1.95	$ 1.65	$ 1.59	—	—
Per share (3):							
Dividends paid	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Shareowners' equity	$ 18.42	$ 18.02	$ 17.90	$ 16.78	$ 15.99	$ 15.32	$ 14.63
Working capital	$ 105,090	$ 100,906	$ 100,475	$ 91,723	$ 88,917	$ 86,217	$ 76,957
Total assets	$ 292,496	$ 283,142	$ 262,199	$ 256,325	$ 234,522	$ 215,807	$ 195,309
Retail units:							
New openings	32	58	36	45	38	54	53
Major remodelings	11	25	18	27	36	34	38
Closings or replacements	18	11	40	38	33	29	17
Year-end totals:							
Drug stores	633	616	569	572	561	554	546
Globe stores	27	25	25	24	28	27	22
Separate restaurants	22	27	27	29	29	32	20
Total retail units	682	668	621	625	618	613	588
Sales area—square feet, net	7,144	6,863	6,441	6,289	6,083	5,727	5,189

(1) Fiscal years are 12 months ended September 30 for years prior to 1975, and 12 months ended August 31 in 1975.
(2) Earnings in 1974 and 1975 reflect the adoption of LIFO accounting. See *Inventories*, page 14.
(3) Adjusted for two-for-one stock split in 1967.
(4) Assumes conversion of 5½% Convertible Subordinated Debentures issued March 1, 1971.

1968	1967	1966
$ 479,330	$ 431,881	$ 399,249
79,400	67,948	46,123
49,863	46,544	43,405
14,252	13,052	12,839
$ 622,845	$ 559,425	$ 501,616
453,178	403,957	362,769
145,459	131,024	117,393
2,467	2,394	2,091
732	822	703
451	439	329
$ 20,558	$ 20,789	$ 18,331
9,211	8,400	7,738
$ 11,347	$ 12,389	$ 10,593
$ 1.79	$ 1.95	$ 1.67
—	—	—
$ .90	$ .70	$ .65
$ 13.73	$ 12.84	$ 11.62
$ 65,296	$ 63,863	$ 55,687
$ 168,212	$ 152,237	$ 137,760
45	37	48
25	19	18
25	26	23
521	508	500
22	20	17
9	4	4
552	532	521
4,806	4,377	3,982

MANAGEMENT'S ANALYSIS of the SUMMARY OF OPERATIONS, 1971 through 1975

1975 results are based on the new fiscal year, September 1-August 31. Therefore, September 1974 sales and net profit are included in both fiscal 1975 and 1974. This change in fiscal year should result in more balanced sales by quarter, and places Easter in the same quarter each year for more comparable interim financial reporting.

Effective October 1, 1973, the Company adopted the LIFO (last-in, first-out) method of inventory valuation, which eliminates substantial amounts of inflationary cost increases from year-end inventories and charges them to the Cost of Sales. (See *Inventories*, page 14.) The change in accounting for inventories resulted in substantially higher Cost of Sales in 1975 and 1974, when they were 73.5% and 73.7% of Sales, respectively, as compared to 72.3%, 72.6% and 72.5% in 1973, 1972, and 1971. Had the company not elected the LIFO method, net profits in 1975 and 1974 would have set all-time record highs.

Despite consumer reluctance in a negative economy, 1975's sales increase of 8.3% was the highest since 1971's 9.9%, which benefited from our discount pricing program introduced in 1970. Late in 1974, a chain of 29 drug stores was purchased from a subsidiary of Eckerd of Erie, Pa. Through 1971-1975 the total of retail units increased by 69, reflecting 209 openings and 140 closings. Fiscal 1972 and 1973 sales gains were slowed by the closing of 78 marginal units in the two years. The Company today is well-positioned to benefit from its program of selective expansion.

Certain operating expenses increased over 10% in 1975, primarily due to higher volume and inflationary cost pressures—including rent up 11.5% and advertising up 12.0%. Taxes other than income taxes were up 16.4%, chiefly due to social security tax increases. Finally, extensive company expansion resulted in a depreciation expense increase of 15.0%. However, through personnel training and cost control programs, the Company has been able to maintain a relatively constant level of Selling, Occupancy and Administration Expenses during the period—declining from a high of 24.6% of sales in 1971 to a low of 24.4% in 1973, and holding at 24.5% for 1974 and 1975.

Interest expense on general company obligations in 1975 decreased 10.1% because of generally lower interest rates and a lower level of short-term borrowings. In 1974, such interest expense was up 36.3% due to higher interest rates and borrowing levels. Interest expense on real estate obligations increased $648,000 in 1975 and $154,000 in 1974 due to new long-term financing for expansion of warehouse facilities and purchase of a new corporate headquarters. Income taxes as a percent of pre-tax income decreased from 35.7% in 1974 to 33.9% in 1975, primarily due to an increase from 7% to 10% in the investment tax credit rate.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the Twelve-Month Periods Ended August 31, 1975 and September 30, 1974
WALGREEN CO. AND SUBSIDIARIES

EARNINGS

	1975	1974
NET SALES	$1,079,143,636	$996,616,262
COSTS AND DEDUCTIONS:		
Cost of sales	792,755,617	734,371,915
Selling, occupancy and administration	264,566,814	243,764,829
Contribution to Employees' Profit-Sharing Retirement Trust	2,601,676	2,688,737
Interest expense, net—		
General company obligations	3,117,322	3,466,560
Real estate obligations	1,194,700	546,936
Income taxes	5,059,000	4,208,000
	1,069,295,129	989,046,977
NET EARNINGS	$ 9,848,507	$ 7,569,285
NET EARNINGS PER COMMON SHARE:		
Assuming no dilution	$ 1.49	$ 1.15
Assuming full dilution	$ 1.40	$ 1.11

RETAINED EARNINGS

	1975	1974
BALANCE, beginning of year (1975 beginning balance excludes September 1974 earnings of $192,219 which have been included in net earnings for both 1975 and 1974)	$ 90,703,883	$ 89,895,927
Net earnings	9,848,507	7,569,285
Cash dividends—$1.00 per share	(6,636,396)	(6,569,110)
BALANCE, end of year	$ 93,915,994	$ 90,896,102

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Periods Ended August 31, 1975 and September 30, 1974
WALGREEN CO. AND SUBSIDIARIES

	1975 (1)	1974 (2)
SOURCES OF WORKING CAPITAL:		
Provided by operations—		
Net earnings	$ 9,656,288	$ 7,569,285
Add (or deduct) items which do not use (or provide) working capital—		
Depreciation and amortization	7,740,109	7,322,435
Equity income from investments	(1,886,844)	(1,429,175)
Changes in investments in other companies, principally dividends received	757,595	1,023,463
Deferred income taxes	1,405,000	1,449,000
	17,672,148	15,935,008
Net book value of property and equipment retired	1,377,773	1,081,777
New long-term borrowings	15,000,000	12,900,000
Sales of common stock under employee stock purchase plans (47,563 shares in 1975 and 61,590 shares in 1974)	496,048	867,804
	34,545,969	30,784,589
APPLICATIONS OF WORKING CAPITAL:		
Additions to property and equipment	13,646,103	22,942,840
Retirement of long-term debt	9,625,000	377,683
Current maturities of long-term debt	454,033	464,503
Cash dividends	6,636,396	6,569,110
	30,361,532	30,354,136
Increase in working capital	$ 4,184,437	$ 430,453
CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets—		
Cash	$12,300,599	$ (4,392,588)
Accounts receivable	(6,348,606)	8,681,670
Inventories	(3,032,779)	1,663,665
Other current assets	777,232	45,750
(Increase) decrease in current liabilities—		
Notes payable and current maturities of long-term debt	13,570,122	(11,311,887)
Trade accounts payable	(5,490,019)	1,415,787
Dividends payable	(1,660,746)	—
Income taxes	(2,429,266)	4,542,980
Other current liabilities	(3,502,100)	(214,924)
Increase in working capital	$ 4,184,437	$ 430,453

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of this statement.

(1) For 11 months ended August 31, 1975 (2) For 12 months ended September 30, 1974

CONSOLIDATED BALANCE SHEET

WALGREEN CO. AND SUBSIDIARIES

ASSETS

	August 31 1975	September 30 1974
CURRENT ASSETS:		
Cash	$ 16,827,304	$ 4,526,705
Accounts receivable, less allowances of $2,581,000 in 1975 and $2,013,000 in 1974 for doubtful accounts	21,284,953	27,633,559
Inventories	154,722,018	157,754,797
Prepaid rent, insurance, taxes, etc.	3,799,892	3,022,660
TOTAL CURRENT ASSETS	196,634,167	192,937,721
INVESTMENTS IN OTHER COMPANIES:		
Stated at equity in underlying book values	6,815,804	5,686,090
Stated at cost (market values or equity in underlying book values—$3,511,000 in 1975 and $3,278,000 in 1974)	324,281	324,746
	7,140,085	6,010,836
PROPERTY AND EQUIPMENT, at cost:		
Land and land improvements	6,737,353	6,809,530
Buildings including improvements to leased properties	31,583,728	28,933,049
Equipment	110,045,811	102,249,255
	148,366,892	137,991,834
Less—Accumulated depreciation and amortization	59,645,011	53,798,174
	88,721,881	84,193,660
	$292,496,133	$283,142,217

LIABILITIES

	August 31 1975	September 30 1974
CURRENT LIABILITIES:		
Notes payable	$ —	$ 13,600,000
Current maturities of long-term debt	494,381	464,503
Trade accounts payable	54,552,673	49,062,654
Dividends payable	1,660,746	—
Accrued expenses and other liabilities	30,791,470	27,289,370
Income taxes	4,044,935	1,615,669
TOTAL CURRENT LIABILITIES	91,544,205	92,032,196
LONG-TERM DEBT, less current maturities:		
General company obligations	45,000,000	39,625,000
Real estate obligations	21,643,617	22,097,650
	66,643,617	61,722,650
DEFERRED INCOME TAXES	11,956,000	10,551,000
SHAREOWNERS' EQUITY:		
Common stock, $2.50 par value; authorized 10,000,000 shares; issued and outstanding 6,642,985 in 1975 and 6,595,422 in 1974, at stated value	28,436,317	27,940,269
Retained earnings	93,915,994	90,896,102
	122,352,311	118,836,371
	$292,496,133	$283,142,217

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of this statement.

STATEMENT OF MAJOR ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION:

The consolidated statements include the accounts of the Company and all subsidiaries. All significant inter-company transactions have been eliminated.

The Company owns minority interests in the voting stock of several companies. Investments representing 20% or more of such stock are carried at equity in their underlying book values. Provision is made for all income taxes which would be due if the undistributed earnings of these companies were remitted. The principal portion of such investments consists of the Company's 44.5% ownership of Sanborn Hermanos, S.A. and 49.4% ownership of Sanborn's Monterrey, S.A.

INVENTORIES:

Substantially all inventories are valued on a last-in, first-out (LIFO) cost basis. At August 31, 1975 and September 30, 1974, inventories would have been greater by $23,319,000 and $13,404,000, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis.

The Company experienced lower inventory levels at August 31, 1975 compared with the previous year-end date of September 30, 1974, which caused a liquidation of LIFO inventories which were carried at lower costs prevailing in prior years. The effect of this liquidation was to reduce cost of sales by $1,500,000, and increase net income by approximately $688,000, or $.10 per share.

PROPERTY, EQUIPMENT AND DEPRECIATION:

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Major repairs which extend the useful life of an asset are charged to the Property and Equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used for equipment; therefore, gains and losses on retirements or other disposition of assets are included in earnings only when an entire location is closed or completely remodeled.

DEFERRED INCOME TAXES:

The Company provides Federal and state income taxes on items included in the Consolidated Statement of Earnings regardless of the period when such taxes are payable. Taxes deferred due to the use of accelerated depreciation for income tax purposes and due to the excess of equity income in investments over dividends received are classified as a non-current liability.

INVESTMENT TAX CREDIT:

The Company reflects the investment tax credit as a reduction in Federal income taxes in the year eligible property and equipment purchases are put into service.

PRE-OPENING EXPENSES:

Non-capital expenditures incurred prior to the opening of a new or remodeled store are charged against earnings when they are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LONG-TERM DEBT:

Long-term debt, less current maturities, consists of the following:

Issue	Interest Rate	Principal (In Thousands) 1975	1974
GENERAL COMPANY OBLIGATIONS—			
Convertible Subordinated Debentures, due 1991	5½%	$30,000	$30,000
Senior Notes payable to insurance companies, due 1981 through 1990	11%	15,000	—
Notes payable to banks, refinanced in 1975	4¾%	—	9,625
		45,000	39,625
REAL ESTATE OBLIGATIONS—			
Industrial Revenue Bonds	6¼%	4,300	4,300
Mortgage obligations:			
Parent company	9.8%	8,504	8,600
Subsidiary companies	4⅞-8¼%	8,840	9,198
		21,644	22,098
		$66,644	$61,723

LONG-TERM DEBT, continued:

The 5½% Convertible Subordinated Debentures are convertible into common shares at the rate of 31 shares per $1,000 principal amount. At August 31, 1975, 930,000 common shares were reserved for such conversions. The debentures are subordinated to all other borrowings of the Company. At the Company's option, the debentures are redeemable at prices ranging from 104.341% in 1975 to par in 1990. Beginning in 1982 sinking fund payments of not less than 10% nor, at the Company's option, more than 20%, of the total principal amount outstanding will be required. The 11% Senior Notes payable to insurance companies, dated August 15, 1975, have required annual principal payments of $1,500,000 from 1981 through 1990.

Under the most restrictive covenants of the Company's debt agreements (a) $11,778,000 of the consolidated retained earnings at August 31, 1975, is available for payment of cash dividends, or for repurchase of the Company's stock, and (b) consolidated net working capital, as defined, must be at least $90,636,000. Consolidated net working capital, as defined, was $116,779,000 at August 31, 1975.

The 6¼% Industrial Revenue Bonds are payable in installments from 1983 through 1998. The mortgage obligations and Industrial Revenue Bonds are secured by office, store, warehouse, and shopping center properties having a net book value at August 31, 1975, of $20,678,000. While Walgreen Co. is not directly obligated for the mortgages of subsidiary companies, all these mortgages, except for approximately $766,000, are secured by lease agreements between Walgreen Co. and its subsidiary companies or by guarantees of Walgreen Co. All mortgages provide for monthly payments of principal and interest and become fully retired between 1978 and 1999.

Annual maturities due on long-term debt for each of the next five years are as follows:

1976	1977	1978	1979	1980
$494,000	$524,000	$543,000	$572,000	$611,000

SHORT-TERM BORROWINGS:

Short-term borrowings outstanding were:

	Commercial Paper		Short-Term Bank Notes	
	1975	1974	1975	1974
At fiscal year-end	$ —	$13,600,000	$ —	$ —
Average during the period	10,628,000	12,770,000	252,000	467,000
Largest month-end balance	31,905,000 (NOV.)	29,080,000 (MAR.)	2,000,000 (JUNE)	5,750,000 (NOV.)
Weighted average interest rate:				
During the year	9.0%	10.2%	6.8%	9.5%
At year-end	—	11.9%	—	—

At August 31, 1975, the Company had approximately $53,200,000 of bank lines of credit. The credit lines are renewable annually at various dates and provide for loans of varying maturities at the prime rate. There are no compensating balance arrangements in connection with these lines of credit.

LEASES:

The Company generally operates in leased premises. Original noncancelable lease terms typically range from ten to twenty years, and normally have options that permit renewals for additional periods. Certain of these leases are considered to be non-capitalized financing leases. Rental expense on all leases, net of sub-lease income of $3,491,000 in 1975, and $3,548,000 in 1974, was as follows:

	(000 omitted)				
	Minimum Rentals (Net of Sub-Lease Income)		Contingent Rentals (Based on Sales)		
Year	Non-Capitalized Financing Leases	Operating Leases	Non-Capitalized Financing Leases	Operating Leases	Total
1975	$6,475	$19,891	$1,657	$4,089	$32,112
1974	5,335	18,331	1,243	3,884	28,793

Minimum rental commitments at August 31, 1975, under noncancelable leases having an original term of more than one year are shown below. These commitments relate primarily to real estate leases and are net of sub-lease income of $18,701,000.

	(000 omitted)		
Year	Non-Capitalized Financing Leases	Operating Leases	Total
1976	$ 7,227	$ 17,991	$ 25,218
1977	6,857	16,218	23,075
1978	6,495	14,605	21,100
1979	6,256	13,247	19,503
1980	5,744	11,273	17,017
1981-1985	26,394	39,917	66,311
1986-1990	23,567	15,657	39,224
1991-1995	18,190	267	18,457
After 1995	4,006	—	4,006
	$104,736	$129,175	$233,911

The present value of net future minimum rentals under non-capitalized financing leases is shown below. Estimated executory expenses of the lessor have been excluded from these amounts. However, the present value of sub-lease income, amounting to $7,729,000 in 1975 and $7,668,000 in 1974, has not been deducted.

	Interest Rates		
As of	Range	Weighted Average	Present Value
August 31, 1975	1.5%-12.0%	6.5%	$46,428,000
September 30, 1974	1.5%-12.0%	5.6%	39,070,000

If the non-capitalized financing leases had been capitalized and amortized on a straight-line basis, and interest expense accrued on the basis of the outstanding lease liability, net earnings would not have been materially affected in 1975 or 1974.

INCOME TAXES:

The provision for income taxes for the twelve month periods ended August 31, 1975 and September 30, 1974, consists of the following:

	1975	1974
Currently Payable—		
Federal	$3,218,000	$2,457,000
State	436,000	302,000
	3,654,000	2,759,000
Deferred to future periods—		
Federal	1,312,000	1,317,000
State	93,000	132,000
	1,405,000	1,449,000
	$5,059,000	$4,208,000

The difference between the statutory income tax rate and the effective rate, as related to pre-tax earnings before equity income from investments, is principally due to the investment tax credit of $1,090,000 in 1975 and $715,000 in 1974.

EMPLOYEES' PROFIT-SHARING RETIREMENT TRUST:

The Company has a retirement plan for employees known as the Walgreen Profit-Sharing Retirement Trust, to which both the Company and the employees contribute. The Company's contribution, computed by a formula specified by the Trust Agreement, is related to pre-tax income, and is reduced by the Company's payment for Profit-Sharing members' Social Security and Medicare tax that is in excess of 5.2% of annual wages subject to such taxes.

CAPITAL STOCK:

As of August 31, 1975, 221,180 shares of common stock were reserved for issuance under employee stock purchase plans.

There are authorized 1,000,000 shares of a $1 per share par value preferred stock issuable in series. The rights of this preferred stock as to dividends, redemption and liquidation will be determined when, as and if issued.

NET EARNINGS PER COMMON SHARE:

Net earnings per common share, assuming no dilution, were computed using the weighted average number of shares outstanding during each year. Net earnings per common share, assuming full dilution, were computed on the assumption that the 5½% Convertible Subordinated Debentures were converted into 930,000 shares of the Company's common stock as of the beginning of each year, and that the related interest expense, net of its effect upon profit-sharing and income taxes, was eliminated.

LITIGATION:

The Company is involved in various legal proceedings incidental to the normal course of business. General counsel and Company management are of the opinion, that although the outcome of such litigation cannot be forecast with certainty, the final disposition should not have a material adverse effect on the consolidated statement of earnings or financial position of the Company.

CHANGE IN FISCAL YEAR:

The Company changed its fiscal year-end from September 30 to August 31, effective August 31, 1975. In order to present financial statements for a comparable period of time, consolidated statements of earnings and retained earnings for the twelve month periods ended August 31, 1975, and September 30, 1974, are presented. Sales and net income for September, 1974, which have been included in the consolidated statement of earnings and retained earnings for both periods, were $76,299,194 and $192,219, respectively.

SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

The consolidated statement of earnings includes the following costs and expenses for the twelve month periods ended:

	August 31, 1975	September 30, 1974
Taxes, other than income	$15,865,000	$13,635,000
Rents	32,112,000	28,793,000
Advertising	16,407,000	14,654,000
Depreciation and amortization	8,424,000	7,322,000

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

To the Board of Directors and
Shareowners of Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARIES as of August 31, 1975 and September 30, 1974, and the related consolidated statements of earnings and retained earnings for the twelve-month periods then ended, and the related consolidated statement of changes in financial position for the eleven months ended August 31, 1975, and the twelve months ended September 30, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Walgreen Co. and Subsidiaries as of August 31, 1975, and September 30, 1974, and the results of their operations for the twelve-month periods then ended, and the changes in their financial position for the eleven months ended August 31, 1975, and the twelve months ended September 30, 1974, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

Chicago, Illinois,
October 15, 1975.

For Your Further Information—
We will provide without charge to any shareowner, upon request, a copy of the FORM 10-K ANNUAL REPORT for Walgreen Co., as filed with the Securities and Exchange Commission. Please address your request to: Walgreen Co., Treasurer, 200 Wilmot Road, Deerfield, Ill., 60015.

TRANSFER AGENTS:
The First National Bank of Chicago
Morgan Guaranty Trust Company, New York

REGISTRARS:
Harris Trust and Savings Bank, Chicago
First National City Bank, New York

Listed: New York Stock Exchange,
Midwest Stock Exchange

Symbol: WAG

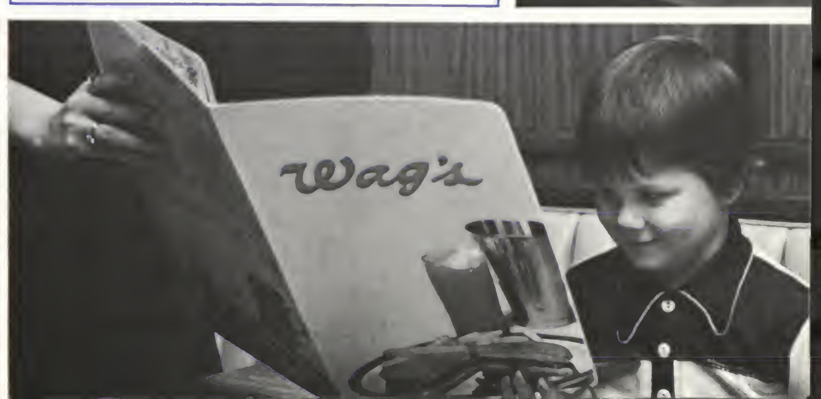
THE WALGREEN OPERATION

THE WALGREEN PEOPLE

29 thousand strong, they work for Walgreens in our stores, plants and offices, and in so doing, work for better health and better living for Americans all over this nation.

For it is their ability, and spirit, and pride in the job they do . . . that enables Walgreens to give consumers a *better* dollar's worth.

Walgreen opportunities attract high-caliber employees; specialized training helps further their careers. And the result is that—daily—over 1½ million customers affirm their trust in the quality of the work of Walgreen people.



THE DRUG STORE DIVISION

Investment analysts typically say of Walgreens—"Sales gains at the drug division have been quite strong . . . despite the sluggish economy."

A major reason for that performance consistency is that we hold fast to this tenet: *Every Walgreens is a drug store and more, but first a drug store.* It means identification with the wanted health and beauty and better-living needs that are dependably *on* the consumer's shopping list, day-in, day-out.

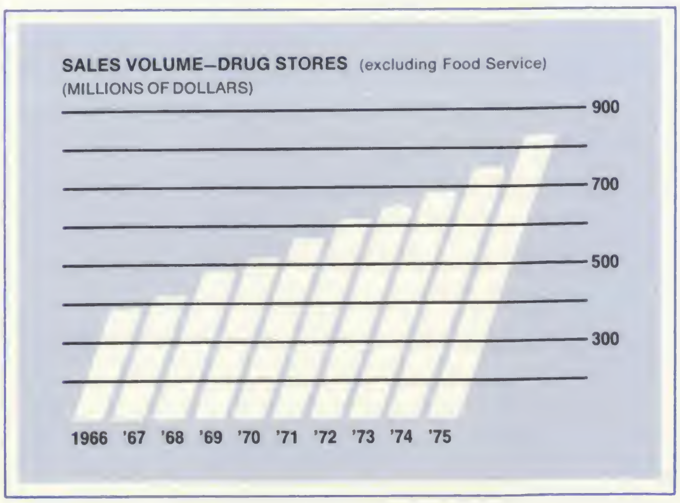
Keying to that constant, high-velocity demand provides basic strength in economic downtrends, becomes a growth factor in up-trends. Our size, systems, and resources add further advantages:

• Computer data tells us what our customers are buying today; trend studies tell us what to expect tomorrow. Buying expertise, quantity purchasing, and warehousing economies insure pricing advantages for the consumer and for us. Walgreens' own brands add a significant extra measure of mutual value.

• Our broad mix of merchandise generates additional volume and profit; the variety affords "one-stop shopping" convenience for customers.

• Consistent advertising, in print and on the air, sustains customer traffic; appealing displays add profitable optional items to the shopping cart.

• Our clustering of stores within our best markets provides lower-cost advertising, distribution, administration—and also simplifies establishment of disciplined central controls. For our customers, it offers "in the neighborhood" convenience.



• Our improved cash flow facilitates store expansion plans, strengthens our acquisition ability.

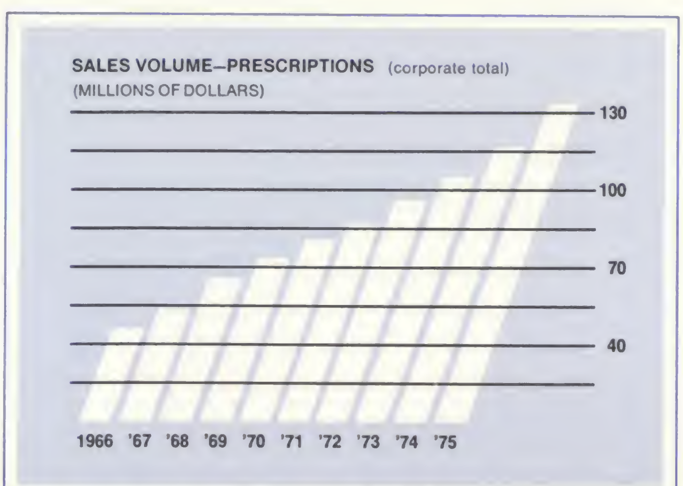
• Extraordinary support facilities, from photo processing to sign-printing, create advantageous efficiencies and economies.

• Recently developed methods for fuller utilization of personnel are furthering productivity.

• Our national preeminence in Pharmacy is based on quality service at reasonable price. Emphasis on professional and consumer goals rewarded us in 1975 with 29,786,626 prescriptions entrusted to Walgreen Pharmacists. We share fully in existing government-reimbursed programs such as Medicaid—and because we are consumer-oriented, we are confident of our ability to work advantageously with new government health care concepts. Some are currently controversial. We hope our own thoughtful input to federal planners will help shape beneficial public programs that are also economically viable for practitioners of Pharmacy, large and small.

• Specialized personal service builds customer loyalty, and here again the drug store is advantaged: The Pharmacist, our society's most readily available health professional, builds lasting customer trust. Our trained Beauty Consultants develop a faithful clientele. The friendliness of all personnel, from Store Manager's concern to Checkout Cashier's smile, continues the personal appeal.

It all adds up to leadership in our field, as millions of people across three generations have made Walgreens, uniquely, *An American Institution.*



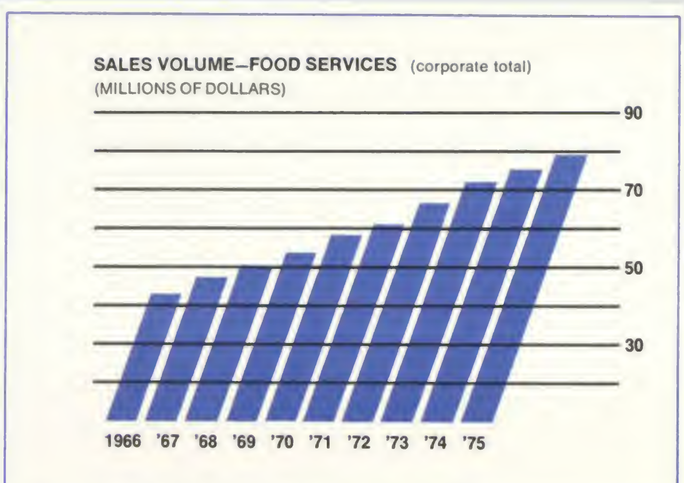
FOOD SERVICE DIVISION

We know the restaurant business; we know that it develops a sound rate of return on investment. Most important, we know that our forte—proved across the country and across the years—is reaching the majority, the great numbers of people who wish to dine out economically . . . yet enjoy quality food, nice atmosphere, prompt service, convenient location. That's what we do best, and it describes our expansion program for 1976:

Of 17 new 1976 restaurants, 5 will be our conventional in-store installations, 12 will follow our newer *Wags Restaurant* concept, a pleasant step up from the usual coffee shop. Pre-tested in prototype 1975 units, the typical *Wags* maintains our basics of operation, but features an appealing individuality of style and menu, and aims for an added degree of profitability. While most Wags are currently being separately located in prime urban and shopping center sites, they are also proving well-adapted to in-store locations.

To counterbalance mounting lease costs, emphasis in new and established units is on design and equipment efficiencies to reduce preparation and storage space, and maximize dining area.

Integral to a restaurant's success is fine service. To achieve it, we stress staff training programs. But paramount is good management. To assure that, we have developed our postgraduate school for managers—enrolling 15 a month in a full-time 4-week seminar. The goals: Better customer satisfaction, better volume, better profit . . . the inevitable results of better management.



Note: Above 'Leased Departments' sales are not included in "Net Sales," Page 10

THE GLOBE DIVISION

The customer who experiences Globe shopping soon knows Globe means quality, Globe means low price, Globe means guaranteed satisfaction. For in all Globe department stores in the four-state area of Arizona, Louisiana, New Mexico and Texas, the end-goal is: *Benefit the consumer.*

To make that policy a practical, profitable way of business, Globe's strategies are centrally conceived and guided to maximize its chain-power:

Globe plans regional concentration and aims at market-penetration, to best achieve chain economies in distribution and advertising. It plans basic uniformity of store design and merchandising to reinforce its mass-purchasing advantage. It utilizes fixture design to control inventory and gross profit by allocating major space to fast-turning, profitable items. It dramatizes classification dominance, as in sporting goods, to give visible proof of price and selection leadership. It has developed trend merchandising to gain recognition as a front-running source for contemporary fashions.

These are not unique concepts, but Globe uses them well, adapts them well. The uniformity of operation incorporates a flexibility for variation in clientele, in competition, in economic circumstances. And its total commitment as a volume-moving mass merchant is measurably successful:

Globe's sales per square foot are over 50% higher than the national average* for comparable merchandisers. We are confident the uptrending economy will translate that selling efficiency into substantial volume and profit progress in 1976.

*National average as reported by *The Discount Merchandiser*, June, 1975.

THE AGENCY DIVISION

Competitive pressures in today's marketplace make the Walgreen Agency franchise more than ever a strategic asset to progressive independent merchants. They benefit from Walgreen planning, buying and advertising expertise to thrive and grow all across America. They enjoy price and profit advantages of our Laboratory products. In turn, over 1800 Walgreen Agency drug stores carry our name and our brands to millions of customers beyond our own markets, and thereby expand our manufacturing scope. We are truly partners in progress. Now our 1975 expansion of manufacturing facilities boosts our ability to support Agency growth.

MANUFACTURING DIVISION

Consumer and company. Both benefit from more than 500 health, beauty and household items that stream by multi-millions from Walgreen Laboratories. Largest manufacturing complex in the chain drug field, its size, systems and motivated people produce fine products at advantageously low cost. The consumer benefits from superb quality at significant savings. Over 2400 Walgreen and Globe and Agency stores benefit from a product line that's competitive, profitable, exclusive.

Now widening our private label marketing scope is our new Laboratory unit in Kalamazoo, Mich., and Plastic Container Plant in Bedford Park, Ill. (See President's Report, page 3.) Production from these two new sources is well-timed to take advantage of a resurgent national economy. Building of phases 2 and 3 of our projected 4-stage Kalamazoo complex will start next fall.

In a private-label marketing innovation, our manufacturing people introduced a series of 12 plastic-packaged 'vacation size' drug and toiletry products. Sales proved immediate and exceptional. The selection is now building to 18, and the trial size is also serving to introduce new customers to the wisdom of choosing the Walgreen brand.

Our Research & Development chemists are generating further growth with a consistent flow of new products. Each is well formulated to underscore a most sincere motto:

"When *Walgreens* name is on it, *quality* is in it."

Interest runs high at Agency Christmas Show

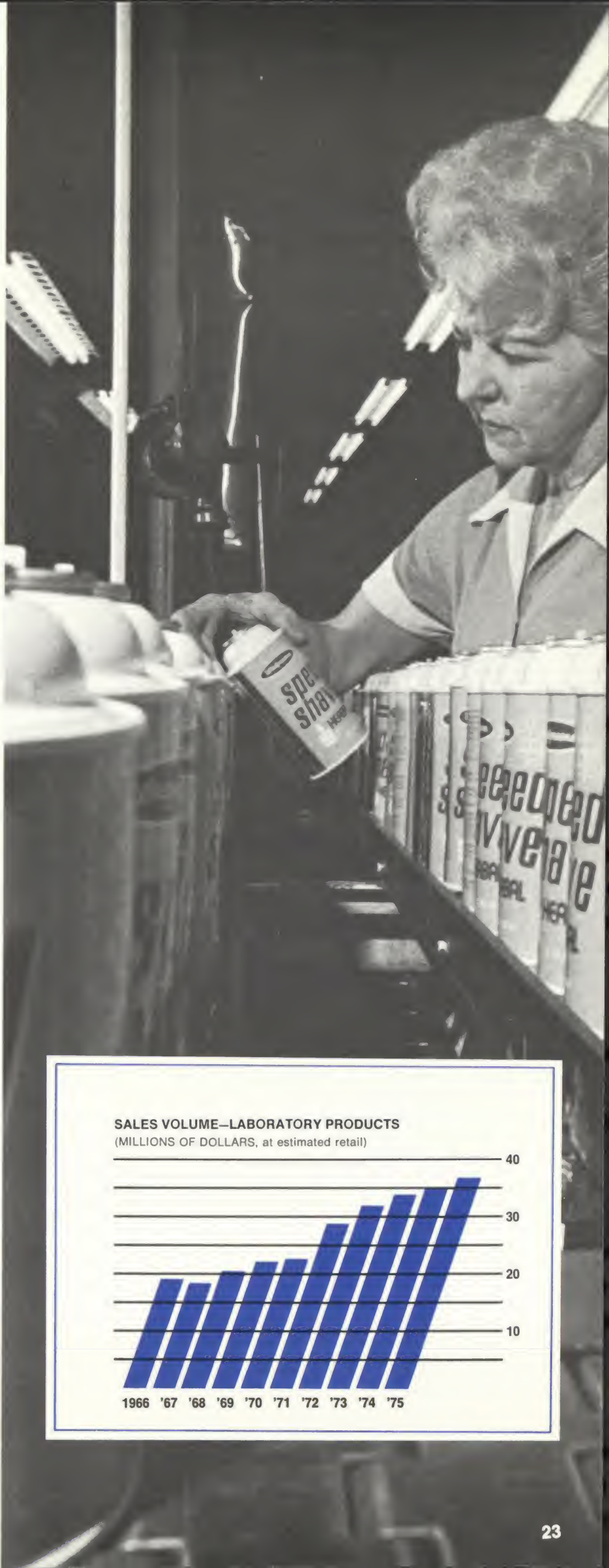


PHOTO PROCESSING STUDIOS

America's photo albums opened wide to receive *55 million* prints processed by our three modern photo studios—in Houston, opened '69; Denver, '73; and Chicago, '75. With fast, economic air delivery lengthening their reach, they served 480 stores in 1975 and are projected to expand to 613 in 1976.

Sophisticated computerized equipment lowers costs as it increases production. In one hour, our film processing machines develop 1000 rolls, computerized printers produce 5000 prints. Well-trained personnel add human expertise to assure the utmost in photo quality for our customers.

1975 volume increased over 20%, and further growth is anticipated in 1976. A pilot project to service Walgreen Agency stores, now in final planning stage, could open a broad new dimension for future progress.

OUR TRAVEL SERVICE

Underscoring the quality standards of *International Travel Service* is a prestigious roster of group tour clients, including the International College of Surgeons and Chicago Council on Foreign Relations. While group tours form the major base of operation, I.T.S. also generates great volume by 'wholesaling' its *Pleasure Break* vacation charter flights through independent Travel Agents.

Since our 1971 acquisition of this subsidiary, profitability has improved as volume quadrupled. In 1975 over 40,000 clients enjoyed I.T.S. travel care; 1976 bookings already indicate continued growth.

SANBORNS OF MEXICO

We take great satisfaction in our rewarding investment in *Sanborns,* great pride in the prestige and popularity of its 17 fine department stores. All include superb restaurants, and 2 separate restaurants add lustre to the Sanborns reputation. The firm also operates two manufacturing plants—specializing in candies and cosmetics—to supply its own units as well as for wholesaling channels.

A Walgreen affiliate since 1946, Sanborns consistent growth reflects the stability and progress of the Mexican economy. Three stores were enlarged in 1975, and total sales increased 18.9%.

Mexico's foremost retailing showcase for native arts and crafts, Sanborns is a magnet for Mexican nationals and knowledgeable international tourists. *Do* see Mexico . . . *don't* miss Sanborns!

THE WALGREEN LEADERSHIP

DIRECTORS

Year of election to Board:

CECIL R. CAMPBELL 1957
Consultant; former Financial Vice President and Treasurer

WALTER E. COHEN 1973
Former Vice President and Director of Payless Drug Stores of New Mexico (acquired 1967)

CHARLES D. HUNTER 1974
Vice President

JOHN E. JEUCK 1969
Director of Business Research and Robert Law Professor of Business Administration, Graduate School of Business, University of Chicago

MIRREL R. KEPHART 1971
Vice President

JAMES MITCHELL 1969
Managing Director, Sanborns of Mexico

ARTHUR C. NIELSEN, Jr. 1969
President of A. C. Nielsen Co.

SOL S. RAAB 1958
Former Store Operations Vice President

ROBERT L. SCHMITT 1966
Executive Vice President

CHARLES R. WALGREEN III 1963
President

CHARLES R. WALGREEN, Jr. 1934
Former Chairman of the Board

OFFICERS

President:
C. R. WALGREEN III

Executive Vice President:
ROBERT L. SCHMITT
Food Services, Physical Resources, Marketing Research; Globe Division

Vice Presidents:

FRED F. CANNING
Drug Store Division

H. RICHARD DREWS
Human Resources

CHARLES O. ELSON
Purchasing

CHARLES D. HUNTER
Administration

MIRREL R. KEPHART
Franchising, Manufacturing, Wholesaling

JOHN E. KLOCKE
Drug Store Operations

JOHN B. SEASTONE
Food Services

Treasurer:
JAMES A. DAVLIN

Secretary:
THOMAS J. BARTON

Controller:
L. ALAN CROTTY

General Auditor:
JOSEPH M. LAY

Assistant Treasurers:
COLETTE HANNAN
N. EDWARD NILSSON

Assistant Secretaries:
THOMAS P. JOYCE
EMILY KOULOGEORGE
JOEL H. LEVIN

Assistant Controllers:
JOHN F. RICHTER
RAYMOND W. WIRSING

MINNESOTA
22 Drug Stores
10 In-Store Restaurants
1 Separate Restaurant
WISCONSIN
31 Drug Stores
14 In-Store Restaurants
CONNECTICUT
4 Drug Stores
4 In-Store Restaurants
NEW YORK
7 Drug Stores
4 In-Store Restaurants
NEW JERSEY
4 Drug Stores
2 In-Store Restaurants
MICHIGAN
6 Drug Stores
4 In-Store Restaurants
1 Separate Restaurant
Mfg. Laboratory
IOWA
17 Drug Stores
6 In-Store Restaurants
2 Separate Restaurants
ILLINOIS
145 Drug Stores
61 In-Store Restaurants
5 Separate Restaurants
Mfg. Laboratory
Container Mfg. Plant
Photo Studio
2 Distribution Centers
OHIO
10 Drug Stores
3 In-Store Restaurants
2 Separate Restaurants
INDIANA
18 Drug Stores
8 In-Store Restaurants
2 Separate Restaurants
VIRGINIA (D.C.)
1 Drug Store
MISSOURI
19 Drug Stores
11 In-Store Restaurants
KENTUCKY
20 Drug Stores
10 In-Store Restaurants
N. CAROLINA
1 Drug Store
TENNESSEE
24 Drug Stores
11 In-Store Restaurants
Distribution Center
ARKANSAS
6 Drug Stores
3 In-Store Restaurants
MISSISSIPPI
3 Drug Stores
2 In-Store Restaurants
ALABAMA
2 Drug Stores
1 In-Store Restaurant
GEORGIA
3 Drug Stores
3 In-Store Restaurants
FLORIDA
83 Drug Stores
54 In-Store Restaurants
2 Separate Restaurants
Distribution Center
LOUISIANA
17 Drug Stores
3 Globe Department Stores
11 In-Store Restaurants
1 Separate Restaurant
PUERTO RICO
9 Drug Stores
8 In-Store Restaurants
1 Separate Restaurant

GEOGRAPHIC REPORT - WALGREENS - AN AMERICAN INSTITUTION

COAST TO COAST... GREAT LAKES TO GULF

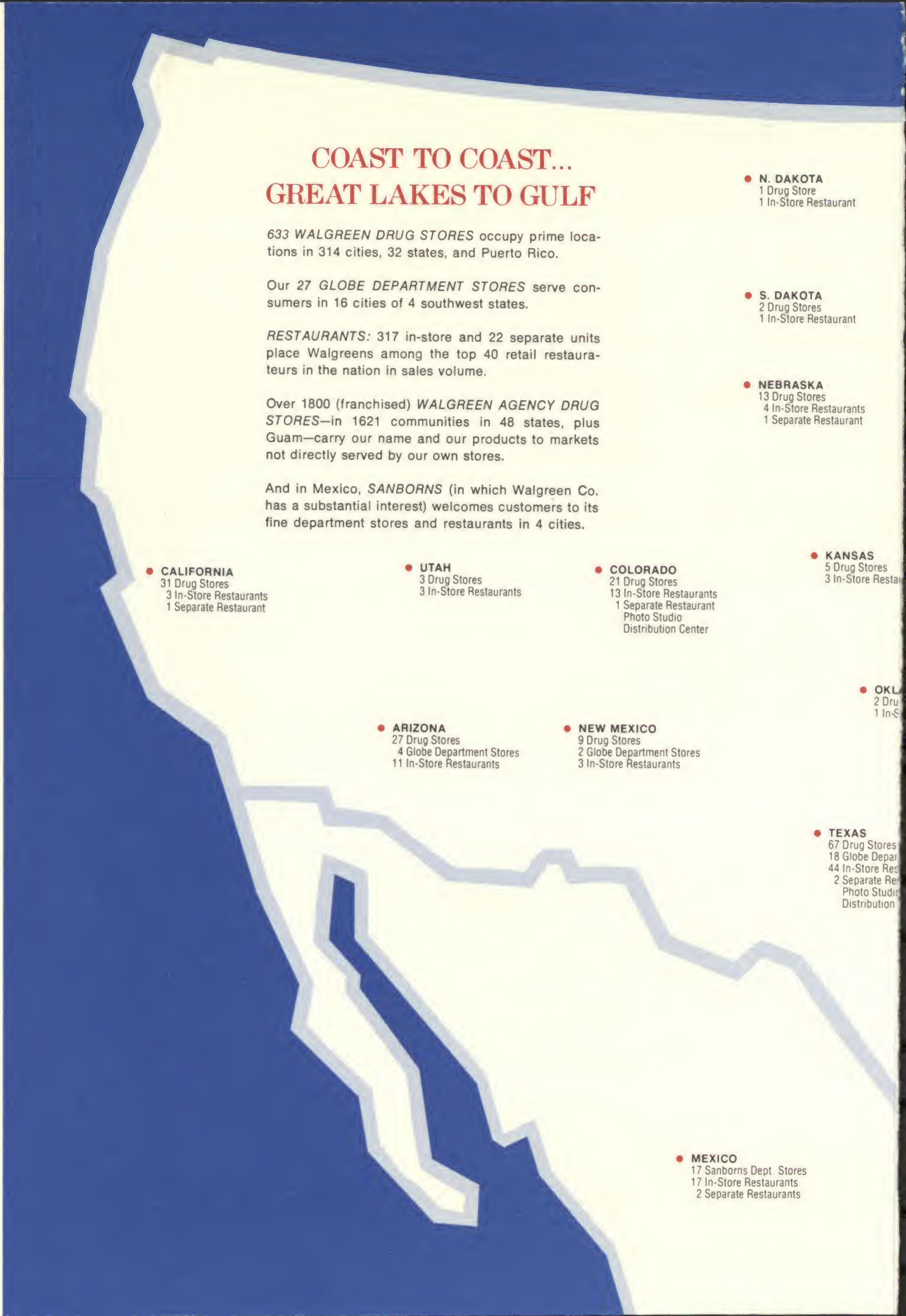
633 WALGREEN DRUG STORES occupy prime locations in 314 cities, 32 states, and Puerto Rico.

Our *27 GLOBE DEPARTMENT STORES* serve consumers in 16 cities of 4 southwest states.

RESTAURANTS: 317 in-store and 22 separate units place Walgreens among the top 40 retail restaurateurs in the nation in sales volume.

Over 1800 (franchised) *WALGREEN AGENCY DRUG STORES*—in 1621 communities in 48 states, plus Guam—carry our name and our products to markets not directly served by our own stores.

And in Mexico, *SANBORNS* (in which Walgreen Co. has a substantial interest) welcomes customers to its fine department stores and restaurants in 4 cities.



You are cordially invited to attend the

ANNUAL MEETING OF WALGREEN SHAREOWNERS

. . . to be held Wednesday, January 14, 1976, 3:00 p.m., at Walgreen General Offices, 200 Wilmot Road, Deerfield, Illinois. (Formal notice of the meeting, with proxy card and proxy statement, will be mailed to all shareowners of record at November 17, 1975.)

WALGREEN CO. GENERAL OFFICES 200 WILMOT ROAD, DEERFIELD, ILLINOIS 60015